

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2015

Table of Contents

Page

Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Position	A	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses, and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-43
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		45
Notes to Required Supplementary Information - Budgetary Reporting		46
Schedule of the District's Proportionate Share of the Net Pension Liability		47
Schedule of District Contributions		48
Notes to Required Supplementary Information-Pension Liability		49-50
Schedule of Funding Progress for the Retiree Health Plan		51
	<u>Schedule</u>	
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	54
Nonmajor Enterprise Funds:		
Combining Schedule of Net Position	3	55
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position	4	56
Combining Schedule of Cash Flows	5	57
Capital Project Accounts:		
Combining Balance Sheet	6	58
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	7	59
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	8	60-61
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	9	62
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	10	63
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		64-65
Schedule of Findings and Responses		66-69

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Janet Fry	President	2015
Dale Slaymaker	Vice President	2017
Mark Swift	Board Member	2015
Brad Patterson	Board Member	2017
Barry Goettsch	Board Member	2017
School Officials		
Alan Jensen	Superintendent	
Janet Grafft	District Secretary/Treasurer and Business Manager	

Gary E. Horton CPA

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Independent Auditor's Report

To the Board of Education of
Iowa Valley Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Iowa Valley Community School District, Marengo, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Iowa Valley Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 12 to the financial statements, Iowa Valley Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial

Reporting for Pensions . and Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of District's Proportionate Share of the Net Pension Liability, the Schedule of District contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 45 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express and opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Iowa Valley Community School District's basic financial statements. The financial statements for the nine years ended June 30, 2014 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 13, 2016 on our consideration of Iowa Valley Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Iowa Valley Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 13, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Iowa Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General fund revenues increased from \$5,381,702 in fiscal year 2014 to \$5,424,643 in fiscal year 2015. While General fund expenditures increased from \$5,807,981 in fiscal year 2014 to \$6,085,468 in fiscal year 2015. The District's General Fund balance decreased from \$1,951,620 at the end of fiscal year 2014 to \$1,291,305 at the end of fiscal year 2015 a 34% increase.
- The fiscal year 2015 General Fund revenue increase was attributable to an increase in Regular Program District Cost; and a decrease to other foundation aid formulas. The increase in expenditures was due to negotiated teacher settlement, increased special education open enrolled/tuitioned out expenses, and increased categorical program expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Iowa Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Iowa Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Iowa Valley Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Iowa Valley Community School District Annual Financial Report

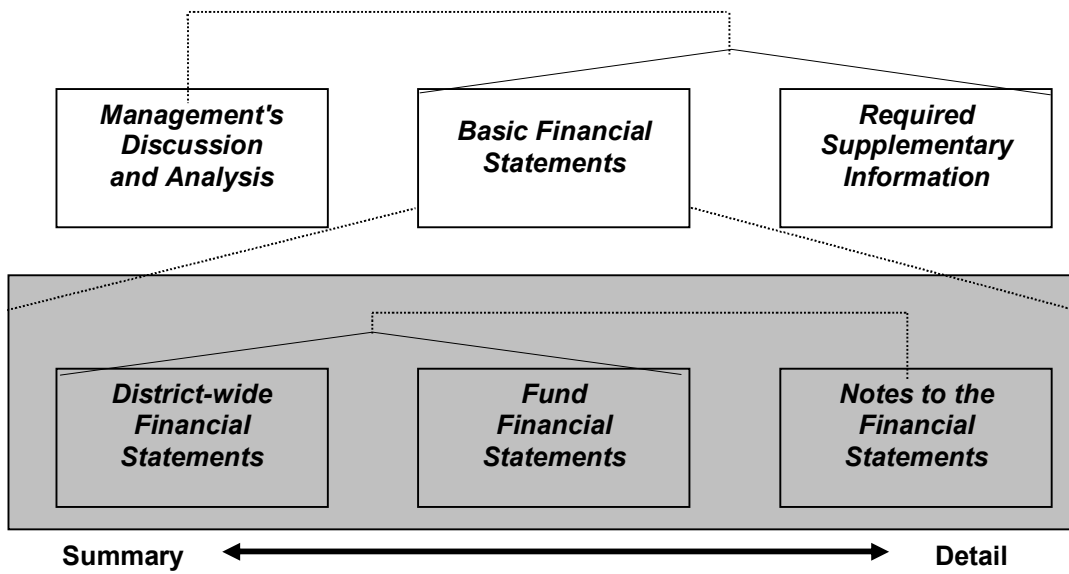


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the

difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include a Private-Purpose Trust Fund and Agency Funds.
 - **Private-Purpose Trust Fund** . The District accounts for outside donations for scholarships for individual students in this fund.

- Agency Funds . These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3

Figure A-5

	Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
	\$	\$	\$	\$	\$	\$	%
Current and other assets	5,313,798	6,274,492	(7,318)	(23,443)	5,306,480	6,251,049	-15%
Capital assets	6,007,611	5,289,035	12,678	16,805	6,020,289	5,305,840	13%
Total assets	11,321,409	11,563,527	5,360	(6,638)	11,326,769	11,556,889	-2%
Deferred inflows of resources	410,432	-	14,007	-	424,439	-	100%
Long-term liabilities	2,874,655	1,217,419	70,140	-	2,944,795	1,217,419	142%
Other liabilities	843,425	838,470	24,700	26,910	868,125	865,380	1%
Total liabilities	3,718,080	2,055,889	94,840	26,910	3,812,920	2,082,799	83%
Deferred inflows of resources	2,600,810	1,879,472	26,187	-	2,626,997	1,879,472	40%
Net Position:							
Net Investment in							
Capital assets	5,272,611	4,209,035	12,678	16,805	5,285,289	4,225,840	25%
Restricted	1,540,444	1,805,701	-	-	1,540,444	1,805,701	-15%
Unrestricted	(1,400,104)	1,613,430	(114,338)	(50,353)	(1,514,442)	1,563,077	-197%
TOTAL NET POSITION	5,412,951	7,628,166	(101,660)	(33,548)	5,311,291	7,594,618	-30%

The District's total net position decreased 30% or \$2,283,327, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$265,257 or 15% from the prior year. The decrease was primarily a result of the District recognizing pension liabilities associated with the GASB 68, Reporting of Pensions.

Unrestricted net position . the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . decreased

\$3,077,519 or 197%. The reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,513,461 and \$85,775, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4

Changes in Net Position from Operating Results							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014.-2015
Revenues							
Program Revenues:							
Charges for services	448,917	451,740	165,485	159,070	614,402	610,810	1%
Operating Grants & Contributions	909,529	927,956	140,726	133,355	1,050,255	1,061,311	-1%
Capital Grants & Contributions		-		-		-	
General Revenues:							
Property taxes	1,873,937	1,967,926	-	-	1,873,937	1,967,926	5%
Income Surtax	477,713	399,041	-	-	477,713	399,041	20%
Statewide sales services & use tax	529,659	488,727	-	-	529,659	488,727	8%
Unrestricted State Grants	2,664,022	2,469,973	-	-	2,664,022	2,469,973	8%
Unrestricted Investment Earnings	3,512	4,921	-	-	3,512	4,921	-29%
Other	22	78,390	-	-	22	78,390	-100%
Total Revenues	6,907,311	6,788,674	306,211	292,425	7,213,522	7,081,099	2%
Expenses							
Instruction	4,385,720	4,371,399	-	-	4,385,720	4,371,399	1%
Support Services	1,691,198	1,848,136	-	13,844	1,691,198	1,861,980	-9%
Non-Instructional Programs	5,958	5,815	288,548	293,413	294,506	299,228	2%
Other Expenses	526,189	513,710	-	-	526,189	513,710	2%
Total Expenses	6,609,065	6,739,060	288,548	307,257	6,897,613	7,046,317	-2%
Change in Net Position	298,246	49,614	17,663	(14,832)	315,909	34,782	808%
Net position beginning of year, as restated	5,114,705	7,578,552	(119,323)	(18,716)	4,995,382	7,559,836	-34%
Net position end of year	5,412,951	7,628,166	(101,660)	(33,548)	5,311,291	7,594,618	-30%

In fiscal year 2015 property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,907,311 and expenses were \$6,609,065. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

<i>Figure A-5</i> Net Cost of Governmental Activities				
	Total Cost of Services 2015	Total Cost of Services 2014 (Not restated)	Net Cost of Services 2015	Net Cost of Services 2014 (Not restated)
Instruction	4,385,720	4,371,399	3,264,590	3,367,666
Support Services	1,691,198	1,848,136	1,689,797	1,706,113
Non-instructional	5,958	5,815	5,958	5,815
Other Expenses	526,189	513,710	290,274	279,770
TOTAL	6,609,065	6,739,060	5,250,619	5,359,364

For the year ended June 30, 2015

- The cost financed by users of the District's programs was \$448,917. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$909,529.
- The net cost of governmental activities was financed with \$2,881,309 in property and local other taxes and \$2,664,022 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$306,211 and expenses were \$288,548. The District's business type activities include the School Nutrition Fund and a Preschool. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2015, the District increased meal prices again to align closer with federal recommended rates. This helped to offset the increase in food prices and personnel costs. The increase enrollment in the three-year-old preschool program experienced an increase in revenues and was managed without increasing personnel costs.

INDIVIDUAL FUND ANALYSIS

As previously noted, Iowa Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,222,820, a decrease from last year's ending fund balances of \$3,187,190. This decrease is due to many factors, of which,

declining enrollment has a direct impact. Increasing costs of personnel, fuel, and supplies also contributed to the decrease.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Continuing decreases in enrollment have directly affected revenues, as well as, the cost of open enrollment out students.
- The General Fund balance decreased from \$1,951,620 to \$1,291,305, due in part to the negotiated salary and benefits settlement and increase in expenditures from the previous year.
- The Capital Projects Fund balance decreased due to the cost of remodeling four bathrooms at the elementary, four bathrooms at the junior/senior high school and locker rooms in high school. The District ended fiscal 2014 with a balance of \$839,702. Fiscal 2015 ended with a balance of \$398,737

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$(72,406) restated at June 30, 2014 to \$(67,836) at June 30, 2015, representing an increase of 6%. Lunch prices were increased for fiscal year 2015, but rising costs in food and a decrease in commodities offered continue to minimize our available cash in the nutrition fund. The three-year-old preschool finances have continued to improve over the previous year due to increase enrollment in the program and controlling costs. However, the District also reflected the related expenses for the net OPEB liability, which caused an overall reduction of net position.

BUDGETARY HIGHLIGHTS

Over the course of the year, Iowa Valley Community School District amended its budget one time increasing budgeted expenditures by \$478,190.

The District's revenues were \$160,812 less than budgeted revenues, a variance of 2%.

Total expenditures were more than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 13% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$246,192.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
	\$	\$	\$	\$	\$	\$	%
Land	159,500	209,500		-	159,500	209,500	-24%
Construction in Progress	-	188,619		-	-	188,619	-100%
Buildings	5,035,073	4,047,558		-	5,035,073	4,047,558	24%
Improvements	423,792	450,986		-	423,792	450,986	-6%
Equipment & furniture	389,246	392,372	12,678	16,805	401,924	409,177	-2%
TOTAL	6,007,611	5,289,035	12,678	16,805	6,020,289	5,305,840	13%

Long-Term Debt

At June 30, 2015 the District had \$2,944,795 in long-term debt outstanding. This represents an increase of approximately 136% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2015	2014	2014-2015
	\$	\$	%
Governmental activities:			
General obligation bonds	735,000	1,080,000	-32%
Termination benefits	25,911	58,419	-56%
Net pension liability	2,012,154	2,809,934	-28%
Net OPEB liability	101,590	79,000	29%
	<u>2,874,655</u>	<u>1,217,419</u>	<u>136%</u>
Business type activities:			
Net pension liability	68,667	95,892	-28%
Net OPEB liability	1,473	-	100%
	<u>70,140</u>	<u>95,892</u>	<u>-27%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- School financing is highly dependent upon student enrollment. The District's October 2015 enrollment decreased which in turn will decrease the District's funding for fiscal year 2016. A local industry closed in 2014 and another local industry has significantly decreased their labor force directly impacting the student enrollment.
- The Board offered an early retirement package to certified staff and 1 teacher participated.
- The District completed a remodel of four elementary bathrooms, four junior/senior high school bathrooms, and the locker rooms at the high school. The District is in the planning phase for a \$3.5 million elementary gymnasium.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janet Grafft, District Secretary/Treasurer and Business Manager, Iowa Valley Community School District, 359 East Hilton Street, Marengo, IA 52301-1620.

BASIC FINANCIAL STATEMENTS

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	2,838,506	(6,370)	2,832,136
Receivables:			
Property tax:			
Delinquent	22,265	-	22,265
Succeeding year	1,833,432	-	1,833,432
Accounts	75,055	3,794	78,849
Due from other governments	537,540	-	537,540
Internal balances	7,000	(7,000)	-
Inventories	-	2,258	2,258
Capital assets, net of accumulated depreciation	6,007,611	12,678	6,020,289
Total assets	11,321,409	5,360	11,326,769
Deferred Outflows of Resources			
Pension related deferred outflows	410,432	14,007	424,439
Liabilities			
Accounts payable	258,943	140	259,083
Salaries and benefits payable	562,542	19,834	582,376
Due to other governments	21,094	-	21,094
Unearned revenue	-	4,726	4,726
Accrued interest payable	846	-	846
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	150,000	-	150,000
Early retirement	25,911	-	25,911
Portion due after one year:			
General obligation bonds payable	585,000	-	585,000
Net pension liability	2,012,154	68,667	2,080,821
Net OPEB liability	101,590	1,473	103,063
Total liabilities	3,718,080	94,840	3,812,920
Deferred Inflows of Resources			
Unavailable property tax revenue	1,833,432	-	1,833,432
Pension related deferred inflows	767,378	26,187	793,565
Total deferred inflows of resources	2,600,810	26,187	2,626,997

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type	Total
	\$	\$	\$
Net position			
Net investment in capital assets	5,272,611	12,678	5,285,289
Restricted for:			
Categorical funding	459,802	-	459,802
Management levy	416,745	-	416,745
Student activities	78,775	-	78,775
Capital projects	314,983	-	314,983
Physical plant and equipment levy purposes	259,638	-	259,638
Debt service	10,501	-	10,501
Unrestricted	(1,400,104)	(114,338)	(1,514,442)
Total net position	<u>5,412,951</u>	<u>(101,660)</u>	<u>5,311,291</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,663,356	215,292	480,369	-
Special	715,279	83,011	69,551	-
Other	1,007,085	149,673	123,234	-
	<u>4,385,720</u>	<u>447,976</u>	<u>673,154</u>	<u>-</u>
Support services:				
Student	104,126	-	-	-
Instructional staff	174,075	-	-	-
Administration	650,783	-	-	-
Operation and maintenance of plant	537,469	941	-	-
Transportation	224,745	-	460	-
	<u>1,691,198</u>	<u>941</u>	<u>460</u>	<u>-</u>
Non-instructional programs	<u>5,958</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	99,982	-	-	-
Long-term debt interest	12,359	-	-	-
AEA flowthrough	235,915	-	235,915	-
Depreciation (unallocated)*	177,933	-	-	-
	<u>526,189</u>	<u>-</u>	<u>235,915</u>	<u>-</u>
Total governmental activities	<u>6,609,065</u>	<u>448,917</u>	<u>909,529</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	277,561	141,405	140,726	-
Preschool	10,987	24,080	-	-
Total business-type activities	<u>288,548</u>	<u>165,485</u>	<u>140,726</u>	<u>-</u>
Total	<u>6,897,613</u>	<u>614,402</u>	<u>1,050,255</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net position

Net position beginning of year (restated)

Net position end of year

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,967,695)	-	(1,967,695)
(562,717)	-	(562,717)
(734,178)	-	(734,178)
<u>(3,264,590)</u>	<u>-</u>	<u>(3,264,590)</u>
(104,126)	-	(104,126)
(174,075)	-	(174,075)
(650,783)	-	(650,783)
(536,528)	-	(536,528)
(224,285)	-	(224,285)
<u>(1,689,797)</u>	<u>-</u>	<u>(1,689,797)</u>
(5,958)	-	(5,958)
(99,982)	-	(99,982)
(12,359)	-	(12,359)
-	-	-
<u>(177,933)</u>	<u>-</u>	<u>(177,933)</u>
<u>(290,274)</u>	<u>-</u>	<u>(290,274)</u>
<u>(5,250,619)</u>	<u>-</u>	<u>(5,250,619)</u>
-	4,570	4,570
-	13,093	13,093
-	17,663	17,663
<u>(5,250,619)</u>	<u>17,663</u>	<u>(5,232,956)</u>
1,608,390	-	1,608,390
199,996	-	199,996
65,551	-	65,551
477,713	-	477,713
529,659	-	529,659
2,664,022	-	2,664,022
3,512	-	3,512
22	-	22
<u>5,548,865</u>	<u>-</u>	<u>5,548,865</u>
298,246	17,663	315,909
<u>5,114,705</u>	<u>(119,323)</u>	<u>4,995,382</u>
<u>5,412,951</u>	<u>(101,660)</u>	<u>5,311,291</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2015

	General	Capital	Management	Nonmajor	Total
	\$	Projects	Levy		\$
	\$	\$	\$	\$	\$
Assets					
Cash, cash equivalents and pooled investments	1,968,319	337,667	439,531	90,336	2,835,853
Receivables:					
Property tax:					
Delinquent	15,645	752	3,575	2,293	22,265
Succeeding year	1,381,457	59,750	234,866	157,359	1,833,432
Accounts	70,607	-	-	2,530	73,137
Interfund receivable	7,000	-	-	-	7,000
Due from other governments	279,631	257,905	-	4	537,540
Total assets	3,722,659	656,074	677,972	252,522	5,309,227
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	232,199	21,703	-	5,041	258,943
Salaries and benefits payable	562,092	-	450	-	562,542
Due to other governments	21,094	-	-	-	21,094
Total liabilities	815,385	21,703	450	5,041	842,579
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,381,457	59,750	234,866	157,359	1,833,432
Other	234,512	175,884	-	-	410,396
Total deferred inflows of resources	1,615,969	235,634	234,866	157,359	2,243,828
Fund balances:					
Restricted for:					
Categorical funding	459,802	-	-	-	459,802
Debt service	-	-	-	11,347	11,347
Management levy	-	-	442,656	-	442,656
Student activities	-	-	-	78,775	78,775
School infrastructure	-	314,983	-	-	314,983
Physical plant and equipment	-	83,754	-	-	83,754
Assigned	65,550	-	-	-	65,550
Unassigned	765,953	-	-	-	765,953
Total fund balances	1,291,305	398,737	442,656	90,122	2,222,820
Total liabilities, deferred inflows of resources and fund balances	3,722,659	656,074	677,972	252,522	5,309,227

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2015

\$

Total fund balances of governmental funds (Exhibit C)	2,222,820
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*Amounts reported for governmental activities in the
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,007,611
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Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	410,396
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(846)
--	-------

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:

Deferred outflows of resources	410,432	
Deferred inflows of resources	<u>(767,378)</u>	(356,946)

An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program (and/or employee flexible benefit program) to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	4,571
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Long-term liabilities, including bonds payable, termination benefits, and other post employment benefits payable, and net pension liability, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,874,655)</u>
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Net position of governmental activities (Exhibit A)	<u><u>5,412,951</u></u>
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IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

	General	Capital Projects	Management Levy	Nonmajor	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,556,980	251,285	299,056	199,996	2,307,317
Tuition	207,404	-	-	-	207,404
Other	95,226	207	253	149,341	245,027
State sources	3,293,081	530,669	4,448	3,080	3,831,278
Federal sources	271,952	-	-	-	271,952
Total revenues	5,424,643	782,161	303,757	352,417	6,862,978
Expenditures:					
Current:					
Instruction:					
Regular	2,751,137	-	66,086	-	2,817,223
Special	713,315	-	-	-	713,315
Other	840,575	4,899	-	159,647	1,005,121
	4,305,027	4,899	66,086	159,647	4,535,659
Support services:					
Student	95,227	-	257	-	95,484
Instructional staff	165,790	7,794	-	-	173,584
Administration	631,365	-	13,498	1,868	646,731
Operation and maintenance of plant	477,441	55	57,369	-	534,865
Transportation	174,703	53,191	14,081	-	241,975
	1,544,526	61,040	85,205	1,868	1,692,639
Non-instructional programs	-	-	5,958	-	5,958
Other expenditures:					
Facilities acquisition	-	1,025,127	-	-	1,025,127
Long-term debt:					
Principal	-	-	-	345,000	345,000
Interest and fiscal charges	-	-	-	12,560	12,560
AEA flowthrough	235,915	-	-	-	235,915
	235,915	1,025,127	-	357,560	1,618,602
Total expenditures	6,085,468	1,091,066	157,249	519,075	7,852,858
Excess (deficiency) of revenues over (under) expenditures	(660,825)	(308,905)	146,508	(166,658)	(989,880)

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

	General	Capital Projects	Management Levy	Nonmajor	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Sales of real property	-	25,000	-	-	25,000
Sales of materials and equipment	510	-	-	-	510
Transfers in	-	-	-	157,060	157,060
Transfers out	-	(157,060)	-	-	(157,060)
Total other financing sources (uses)	510	(132,060)	-	157,060	25,510
Change in fund balances	(660,315)	(440,965)	146,508	(9,598)	(964,370)
Fund balances beginning of year	1,951,620	839,702	296,148	99,720	3,187,190
Fund balances end of year	<u>1,291,305</u>	<u>398,737</u>	<u>442,656</u>	<u>90,122</u>	<u>2,222,820</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2015

\$

\$

Change in fund balances - total governmental funds (Exhibit E)

(964,370)

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and Capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	960,641	
Depreciation expense	<u>(242,065)</u>	718,576

Income surtaxes and receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.

44,333

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

345,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.

201

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the statement of Net Position.

295,888

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	32,508	
Pension expense	(151,527)	
Other postemployment benefits	<u>(22,590)</u>	(141,609)

An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program (and/or employee flexible benefit program) to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

227**Changes in net position of governmental activities (Exhibit B)**298,246

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2015

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Assets		
Current assets:		
Cash and cash equivalents	(6,370)	2,653
Accounts receivable	3,794	1,918
Inventories	2,258	-
Total Current Assets	(318)	4,571
Noncurrent assets:		
Capital assets, net of accumulated depreciation	12,678	-
Total assets	12,360	4,571
Deferred Outflows of Resources		
Pension related deferred outflows	14,007	-
Liabilities		
Current liabilities:		
Accounts payable	140	-
Salaries and benefits payable	19,834	-
Interfund payable	7,000	-
Deferred revenue	4,726	-
Total current liabilities	31,700	-
Noncurrent liabilities:		
Net pension liability	68,667	-
Net OPEB liability	1,473	-
Total noncurrent liabilities	70,140	-
Total liabilities	101,840	-
Deferred Inflows of Resources		
Pension related deferred inflows	26,187	-
Net position		
Invested in capital assets	12,678	-
Unrestricted	(114,338)	4,571
Total net position	(101,660)	4,571

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2015

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Operating revenue:		
Local sources:		
Charges for service	165,485	19,193
Operating expenses:		
Non-instructional programs:		
Salaries	87,118	-
Benefits	36,004	-
Purchased services	2,282	18,967
Supplies	159,017	-
Depreciation	4,127	-
Total operating expenses	288,548	18,967
Operating income (loss)	(123,063)	226
Non-operating revenue:		
State sources	2,504	-
Federal sources	138,222	-
Interest income	-	1
Total non-operating revenue	140,726	1
Increase net position	17,663	227
Net position beginning of year	(119,323)	4,344
Net position end of year	(101,660)	4,571

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2015

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Cash flows form operating activities:		
Cash received from sale of lunches and breakfasts	139,221	-
Cash received from miscellaneous activities	20,446	19,064
Cash paid to employees for services	(126,299)	-
Cash paid to suppliers for goods or services	(136,312)	(18,967)
Net cash (used) provided by operating activities	(102,944)	97
Cash flows from non-capital financing activities:		
Loans from (repaid) to other funds	(23,130)	-
State grants received	2,504	-
Federal grants received	117,114	-
Net cash provided by non-capital financing activities	96,488	-
Cash flows from capital and related financing activities	-	-
Cash flows from investing activities:		
Interest on investments	-	1
Net increase (decrease) in cash and cash equivalents	(6,456)	98
Cash and cash equivalents at beginning of year	86	2,555
Cash and cash equivalents at end of year	(6,370)	2,653
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	(123,063)	226
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	21,108	-
Depreciation	4,127	-
Decrease (increase) in inventories	4,183	-
Decrease (increase) in accounts receivable	(3,634)	(129)
(Decrease) increase in accounts payable	(304)	-
(Decrease) increase in salaries and benefits payable	278	-
(Decrease) increase in deferred revenue	(2,184)	-
Decrease in net pension liability	(27,225)	-
Increase in deferred outflows of resources	(3,890)	-
Increase in deferred inflows of resources	26,187	-
(Decrease) increase in other postemployment benefits	1,473	-
Net cash (used) provided by operating activities	(102,944)	97

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$21,108 of federal commodities.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash, cash equivalents and pooled investments	3,703	62,620
Liabilities		
Due to other governments	<u>-</u>	<u>62,620</u>
Net Assets		
Reserved for scholarships	17,489	-
Unreserved	<u>(13,786)</u>	<u>-</u>
Total net assets	<u><u>3,703</u></u>	<u><u>-</u></u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2015

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	5,108
Deductions:	
Instruction:	
Scholarships awarded	<u>6,450</u>
Change in net position	(1,342)
Net position beginning of year	<u>5,045</u>
Net position end of year	<u><u>3,703</u></u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

1. Summary of Significant Accounting Policies

Iowa Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Marengo, Iowa and the predominately agricultural territory in a portion of Iowa County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Iowa Valley Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Iowa Valley Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net Investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position result when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

The Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy

The Capital Projects fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary fund includes the following funds: 1) The Enterprise, School Nutrition Fund which is used to account for the food service operations of the District, and 2) The Preschool Fund which is used to account for an educational program for students in the year prior to attending kindergarten.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014, through June 30, 2015, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture, equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	2,500
Buildings	50,000
Improvements other than buildings	50,000
Furniture and equipment:	
Intangibles	25,000
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

Deferred Outflows of Resources . Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable . Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The District had no compensated absences liability at June 30, 2015.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions . For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and additions to/deductions from IPERS's fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources . Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity . In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable . Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned . Amounts the Board of Education intends to use for specific purposes.

Unassigned . All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures in the instruction and other expenditure programs functions exceeded the amended amounts budgeted.

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$5,236 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

3. **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General	Enterprise Fund, School Nutrition	7,000
	Enterprise Fund, Preschool	

These amounts arise due to pooled cash funds.

4. **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service	Capital Projects	157,060

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	188,619	949,635	1,138,254	-
Land	209,500	-	50,000	159,500
Total capital assets not being depr.	398,119	949,635	1,188,254	159,500
Capital assets being depreciated:				
Buildings	7,466,617	1,138,254	-	8,604,871
Improvements other than buildings	842,306	-	-	842,306
Furniture and equipment	1,171,336	61,006	6,250	1,226,092
Total capital assets being deprec.	9,480,259	1,199,260	6,250	10,673,269
Less accumulated depreciation for:				
Buildings	3,419,059	150,739	-	3,569,798
Improvements other than buildings	391,320	27,194	-	418,514
Furniture and equipment	778,964	64,132	6,250	836,846
Total accumulated depreciation	4,589,343	242,065	6,250	4,825,158
Total capital assets being depreciated, net	4,890,916	957,195	-	5,848,111
Governmental activities capital assets, net	5,289,035	1,906,830	1,188,254	6,007,611
Business type activities:				
Furniture and equipment	79,610	-	-	79,610
Less accumulated depreciation	62,805	4,127	-	66,932
Business type activities capital assets, net	16,805	(4,127)	-	12,678

Depreciation expense was charged to the following functions:

	Amount \$
Governmental activities:	
Instruction:	
Regular	8,988
Support Services:	
Student services	15,966
Administration services	2,088
Operation and maintenance of plant services	1,129
Transportation	35,961
	64,132
Unallocated depreciation	177,933
Total depreciation expense . governmental activities	242,065

Business type activities:
Food services

4,127

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Early retirement	58,419	25,461	57,969	25,911	25,911
General obligation bonds	1,080,000	-	345,000	735,000	150,000
Net pension liability	2,809,934	-	797,780	2,012,154	-
Net OPEB liability	79,000	22,590	-	101,590	-
Total	<u>4,027,353</u>	<u>48,051</u>	<u>1,200,749</u>	<u>2,874,655</u>	<u>175,911</u>
Business type activities:					
Net pension liability	95,892	-	27,225	68,667	-
Net OPEB liability	-	1,473	-	1,473	-
Total	<u>95,892</u>	<u>1,473</u>	<u>27,225</u>	<u>70,140</u>	<u>-</u>

Early Retirement

The District offered a one-time voluntary early retirement plan to its certified employees for the year ended June 30, 2009. The identical offer was extended for additional years through June 30, 2015. Eligible employees must have completed thirteen years of contracted service to the District and have been at least 55 years old before the fiscal year end.

The early retirement benefit for each eligible employee is equal to a cash payment of 50% of the employee's present year salary excluding any extracurricular salaries, extended contract, and Teacher Quality payments. An employee can also remain on the District's health insurance program as long as they pay the entire monthly premium.

The District offered various plans in prior years as early retirement incentives. Details of those plans are available upon request.

At June 30, 2015, the District had obligations to two participants with a total liability of \$25,911. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$57,969. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Bond Issue of May, 2010				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2016	0.95	150,000	10,145	160,145
2017	1.15	140,000	8,720	148,720
2018	1.40	150,000	7,110	157,110
2019	1.60	150,000	5,010	155,010
2020	1.80	145,000	2,610	147,610
		<u>735,000</u>	<u>33,595</u>	<u>768,595</u>

7. Pension Plan

Plan Description . IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 nor at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits . A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefits includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits . A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a

member dies after retirement. Death benefits depend on the benefit option the member selected at retirement.

Contributions . Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the entry age normal+actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$305,986.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . At June 30, 2015, the District reported a liability of \$2,080,821 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.052468 percent, which was an increase of 0.001858 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$156,697. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred Inflows of Resources
	\$	\$
Differences between expected and actual experience	22,614	-
Changes in assumptions	91,831	-
Net difference between projected and actual earnings on pension plan investments	-	793,565
Change in proportion and differences between District contributions and proportionate share of contributions	4,008	-
District contributions subsequent to the measurement date	305,986	-
Total	<u>424,439</u>	<u>793,565</u>

\$305,986 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
	\$
2016	(170,715)
2017	(170,715)
2018	(170,715)
2019	(170,715)
2020	7,748
Total	<u>(675,112)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions . The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
	%	
US Equity	23	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100</u>	

Discount Rate . The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of

current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate . The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%) \$	Discount Rate (7.5%) \$	1% Increase (8.5%) \$
District proportionate share of the net pension liability	3,931,652	2,080,821	518,527

Pension Plan Fiduciary Net Position . Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS's website at www.ipers.org.

Payables to the Pension Plan . At June 30, 2015, the District reported no payables to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 49 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

	\$
Annual required contribution	53,819
Interest on net OPEB obligation	1,976
Adjustment to annual required contribution	(4,937)
Annual OPEB cost	50,858
Contributions made	(26,795)
Increase in net OPEB obligation	24,063
Net OPEB obligation beginning of year	79,000
Net OPEB obligation end of year	103,063

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$26,795 to the medical plan. Plan members eligible for benefits contributed \$7,714, or 100% of the premium costs not covered by early retirement.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	\$	%	\$
2012	34,407	80.5	21,100
2013	55,713	86.9	52,700
2014	53,145	50.5	79,000
2015	50,858	52.7	103,063

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$318,761, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$318,761. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,840,000, and the ratio of the UAAL to covered payroll was 11.2%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis.

The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

9. Risk Management

Iowa Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$235,915 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
	\$
Gifted and Talented	188,846
Preschool	87,101
Returning dropout and dropout prevention program	67,223
Limited English proficient	3,421
Teacher salary supplement	13,198
Home school assistance program	945
Educator quality, professional development	53,362
Core curriculum	4,140
Mentoring	4,190
Teacher leadership	468
Early literacy	30,108
Foster care	1,849
Other	4,951
	<u>459,802</u>

12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events

related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
	\$	\$
Net position June 30, 2014, as previously reported	7,628,166	(33,548)
Net pension liability at June 30, 2014	(2,809,934)	(95,892)
Deferred outflows of resources		
Related to contributions made after the June 30, 2013 measurement date	296,473	10,117
Net position July 1, 2014, as restated	<u>5,114,705</u>	<u>(119,323)</u>

REQUIRED SUPPLEMENTARY INFORMATION

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2015

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original	Final	\$
Revenues:						
Local sources	2,759,748	165,485	2,925,233	3,466,834	3,466,834	(541,601)
State sources	3,831,278	2,504	3,833,782	3,493,099	3,493,099	340,683
Federal sources	271,952	138,222	410,174	370,068	370,068	40,106
Total revenues	<u>6,862,978</u>	<u>306,211</u>	<u>7,169,189</u>	<u>7,330,001</u>	<u>7,330,001</u>	<u>(160,812)</u>
Expenditures/Expenses:						
Instruction	4,535,659	-	4,535,659	4,479,335	4,500,000	(35,659)
Support services	1,692,639	-	1,692,639	1,642,475	2,000,000	307,361
Non-instructional programs	5,958	288,548	294,506	305,000	305,000	10,494
Other expenditures	1,618,602	-	1,618,602	1,187,244	1,287,244	(331,358)
Total expenditures/expenses	<u>7,852,858</u>	<u>288,548</u>	<u>8,141,406</u>	<u>7,614,054</u>	<u>8,092,244</u>	<u>(49,162)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(989,880)	17,663	(972,217)	(284,053)	(762,243)	(209,974)
Other financing sources (uses) net	<u>25,510</u>	<u>-</u>	<u>25,510</u>	<u>3,250</u>	<u>3,250</u>	<u>22,260</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(964,370)	17,663	(946,707)	(280,803)	(758,993)	(187,714)
Balance beginning of year (restated)	<u>3,187,190</u>	<u>(119,323)</u>	<u>3,067,867</u>	<u>3,336,658</u>	<u>3,336,658</u>	<u>(268,791)</u>
Balance end of year	<u>2,222,820</u>	<u>(101,660)</u>	<u>2,121,160</u>	<u>3,055,855</u>	<u>2,577,665</u>	<u>(456,505)</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$478,179.

During the year ended June 30, 2015, expenditures in the instruction and other expenditures functions exceeded the amended budget.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.052468%
District's proportionate share of the net pension liability	2,080,821
District's covered-employee payroll	3,426,494
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.73%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Statutorily required contribution	305,986	306,590	287,783	272,232	228,728	224,705	217,874	201,514	197,236	195,714
Contributions in relation to the statutorily required contribution	<u>(305,986)</u>	<u>(306,590)</u>	<u>(287,783)</u>	<u>(272,232)</u>	<u>(228,728)</u>	<u>(224,705)</u>	<u>(217,874)</u>	<u>(201,514)</u>	<u>(197,236)</u>	<u>(195,714)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	3,426,494	3,433,259	3,319,296	3,373,383	3,291,050	3,379,023	3,431,087	3,330,810	3,430,191	3,403,722
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decrease the inflation assumption from 3.25 percent to 3.00 percent.
- Decrease the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
 - Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
 - Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL. UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
 - Modified retirement rates to reflect fewer retirements.
 - Lowered disability rates at most ages.
 - Lowered employment termination rates.
 - Generally increased the probability of terminating members receiving a deferred retirement benefit.
 - Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
Lowered the inflation assumption from 3.50 percent to 3.25 percent.
Lowered disability rates for sheriffs and deputies and protection occupation members.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	376,000	376,000	0.0%	3,437,000	10.9%
2011	July 1, 2009	-	350,000	350,000	0.0%	3,307,000	10.6%
2012	July 1, 2009	-	323,000	323,000	0.0%	3,322,000	9.7%
2013	July 1, 2012	-	349,000	349,000	0.0%	1,296,000	26.9%
2014	July 1, 2012	-	319,000	319,000	0.0%	1,284,000	24.8%
2015	July 1, 2012	-	318,761	318,761	0.0%	2,840,000	11.2%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

Assets	Student Activity	Debt Service	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	81,286	9,050	90,336
Receivables:			
Property tax:			
Delinquent	-	2,293	2,293
Succeeding year	-	157,359	157,359
Accounts	2,530	-	2,530
Due from other governments	-	4	4
Total assets	83,816	168,706	252,522
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	5,041	-	5,041
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	157,359	157,359
Fund balances:			
Restricted for:			
Debt service	-	11,347	11,347
Student activities	78,775	-	78,775
Total fund balances	78,775	11,347	90,122
Total liabilities, deferred inflows of resources and fund balances	83,816	168,706	252,522

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2015

	Student Activity Fund	Debt Service	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	199,996	199,996
Other	149,341	-	149,341
State sources	-	3,080	3,080
Total revenues	<u>149,341</u>	<u>203,076</u>	<u>352,417</u>
Expenditures:			
Current:			
Instruction:			
Other instruction	159,647	-	159,647
Support services:			
Administration services	368	1,500	1,868
Other expenditures:			
Long-term debt:			
Principal	-	345,000	345,000
Interest and fiscal charges	-	12,560	12,560
Total expenditures	<u>160,015</u>	<u>359,060</u>	<u>519,075</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,674)</u>	<u>(155,984)</u>	<u>(166,658)</u>
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>157,060</u>	<u>157,060</u>
Change in fund balances	(10,674)	1,076	(9,598)
Fund balances beginning of year	<u>89,449</u>	<u>10,271</u>	<u>99,720</u>
Fund balances end of year	<u><u>78,775</u></u>	<u><u>11,347</u></u>	<u><u>90,122</u></u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2015

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Assets			
Current assets:			
Cash and cash equivalents	2,989	(9,359)	(6,370)
Accounts receivable	-	3,794	3,794
Inventories	2,258	-	2,258
Total current assets	5,247	(5,565)	(318)
Noncurrent assets:			
Capital assets, net of accumulated depreciation	12,678	-	12,678
Total assets	17,925	(5,565)	12,360
Deferred Outflows of Resources			
Pension related deferred outflows	9,338	4,669	14,007
Liabilities			
Current liabilities:			
Interfund payables	7,000	-	7,000
Accounts payable	140	-	140
Salaries and benefits payable	18,524	1,310	19,834
Deferred revenue	4,726	-	4,726
Total current liabilities	30,390	1,310	31,700
Noncurrent liabilities:			
Net pension liability	45,778	22,889	68,667
Net OPEB liability	1,473	-	1,473
Total noncurrent liabilities	47,251	22,889	70,140
Total liabilities	77,641	24,199	101,840
Deferred Inflows of Resources			
Pension related deferred inflows	17,458	8,729	26,187
Net Position			
Net investment in capital assets	12,678	-	12,678
Unrestricted	(80,514)	(33,824)	(114,338)
Total net position	(67,836)	(33,824)	(101,660)

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2015

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	141,405	24,080	165,485
Operating expenses:			
Non-instructional programs:			
Salaries	77,983	9,135	87,118
Benefits	36,232	(228)	36,004
Purchased services	2,282	-	2,282
Supplies	156,937	2,080	159,017
Depreciation	4,127	-	4,127
Total non-instructional programs	277,561	10,987	288,548
Operating income (loss)	(136,156)	13,093	(123,063)
Non-operating revenue:			
State sources	2,504	-	2,504
Federal sources	138,222	-	138,222
Total non-operating revenue	140,726	-	140,726
Increase (decrease) in net position	4,570	13,093	17,663
Net position beginning of year, as restated	(72,406)	(46,917)	(119,323)
Net position end of year	(67,836)	(33,824)	(101,660)

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2015

	Enterprise Funds		
	School Nutrition	Preschool	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	139,221	-	139,221
Cash received from daycare services	-	20,446	20,446
Cash paid to employees for services	(115,777)	(10,522)	(126,299)
Cash paid to suppliers for goods or services	(133,989)	(2,323)	(136,312)
Net cash (used) provided by operating activities	<u>(110,545)</u>	<u>7,601</u>	<u>(102,944)</u>
Cash flows from non-capital financing activities:			
Loans from (repaid) to other funds	(6,170)	(16,960)	(23,130)
State grants received	2,504	-	2,504
Federal grants received	117,114	-	117,114
Net cash (used) provided by non-capital financing activities	<u>113,448</u>	<u>(16,960)</u>	<u>96,488</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,903	(9,359)	(6,456)
Cash and cash equivalents at beginning of year	<u>86</u>	<u>-</u>	<u>86</u>
Cash and cash equivalents at end of year	<u><u>2,989</u></u>	<u><u>(9,359)</u></u>	<u><u>(6,370)</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(136,156)	13,093	(123,063)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	21,108	-	21,108
Depreciation	4,127	-	4,127
Decrease (increase) in inventories	4,183	-	4,183
Decrease (increase) in accounts receivable	-	(3,634)	(3,634)
(Decrease) increase in accounts payable	(61)	(243)	(304)
(Decrease) increase in salaries and benefits payable	250	28	278
(Decrease) increase in deferred revenue	(2,184)	-	(2,184)
Decrease in net pension liability	(18,150)	(9,075)	(27,225)
Increase in deferred outflows of resources	(2,593)	(1,297)	(3,890)
Increase in deferred inflows of resources	17,458	8,729	26,187
(Decrease) increase in other postemployment benefits	1,473	-	1,473
Net cash (used) provided by operating activities	<u><u>(110,545)</u></u>	<u><u>7,601</u></u>	<u><u>(102,944)</u></u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2015

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	245,800	91,867	337,667
Receivables:			
Property tax:			
Delinquent	-	752	752
Succeeding year	-	59,750	59,750
Due from other governments	82,020	175,885	257,905
Total assets	327,820	328,254	656,074
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	12,837	8,866	21,703
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	59,750	59,750
Other	-	175,884	175,884
Total deferred inflows of resources	-	235,634	235,634
Fund balances:			
Restricted for:			
School infrastructure	314,983	-	314,983
Physical plant and equipment	-	83,754	83,754
Total fund balances	314,983	83,754	398,737
Total liabilities, deferred inflows of resources and fund balances	327,820	328,254	656,074

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	251,285	251,285
Other	99	108	207
State sources	529,659	1,010	530,669
Total revenues	<u>529,758</u>	<u>252,403</u>	<u>782,161</u>
Expenditures:			
Current:			
Instruction:			
Other instruction	-	4,899	4,899
Support services:			
Instructional staff services	7,794	-	7,794
Operation and maintenance of plant	55	-	55
Transportation services	-	53,191	53,191
Other expenditures:			
Facilities acquisition	986,605	38,522	1,025,127
Total expenditures	<u>994,454</u>	<u>96,612</u>	<u>1,091,066</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(464,696)</u>	<u>155,791</u>	<u>(308,905)</u>
Other financing sources (uses):			
Sale of real property	-	25,000	25,000
Operating transfers out	-	(157,060)	(157,060)
Total other financing sources (uses)	<u>-</u>	<u>(132,060)</u>	<u>(132,060)</u>
Change in fund balance	(464,696)	23,731	(440,965)
Fund balances beginning of year	<u>779,679</u>	<u>60,023</u>	<u>839,702</u>
Fund balance end of year	<u><u>314,983</u></u>	<u><u>83,754</u></u>	<u><u>398,737</u></u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Drama	3,371	3,773	4,225	2,919
Choir - Sunshine Inn	3,655	2,982	3,168	3,469
Band	2,959	3,169	3,046	3,082
Golf	1,814	3,535	5,150	199
Class of 2014	681	-	-	681
Class of 2015	2,439	232	1,250	1,421
Class of 2016	114	2,911	2,445	580
Class of 2017	148	50	-	198
Class of 2018	1,837	150	-	1,987
Class of 2021	-	500	1,181	(681)
HS cheerleaders	710	3,403	4,685	(572)
Boys basketball	869	3,137	3,771	235
Football	-	12,043	12,912	(869)
Baseball	827	9,086	9,086	827
Boys track	-	4,677	5,504	(827)
Wrestling	704	6,495	6,495	704
Girls basketball	3,190	4,155	4,858	2,487
Volleyball	-	3,505	6,534	(3,029)
Softball	-	4,718	4,718	-
Girls track	-	6,101	6,101	-
Interest	8,760	885	885	8,760
Annual	-	6,385	6,761	(376)
Wrestling camp	7	100	100	7
TAG - special project	2,980	-	-	2,980
IV Baseball camp	1,080	4,115	4,113	1,082
IV Volleyball camp	1,568	3,179	1,175	3,572
IV Girls basketball camp	442	6,482	6,491	433
IV Boys basketball camp	1,160	1,133	268	2,025
Softball/baseball lights	6,757	-	-	6,757
IV Football camp	3,130	12,295	10,541	4,884
Softball camp	-	1,717	1,109	608
IV Special events	(100)	700	600	-
High school student council	3,006	4,034	5,206	1,834
Elementary student council	5,203	3,584	2,779	6,008
Track - boys camp	-	1,031	6	1,025
Science club	152	625	777	-
Tiger's Eye	923	-	-	923
Fine arts special project	15,611	393	-	16,004
Speech team	186	781	640	327
Spanish trip	4,931	1,018	5,897	52

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
8th grade circle	1	-	-	1
FFA Marengo chapter	6,027	24,514	25,790	4,751
FCS club	241	222	170	293
Pep Club	4,066	1,526	1,578	4,014
	<u>89,449</u>	<u>149,341</u>	<u>160,015</u>	<u>78,775</u>
Total	<u>89,449</u>	<u>149,341</u>	<u>160,015</u>	<u>78,775</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2015

	Balance Beginning of Year \$	Additions \$	Deductions \$	Balance End of Year \$
Assets				
Cash, cash equivalents and pooled investments	<u>47,239</u>	<u>63,028</u>	<u>47,647</u>	<u>62,620</u>
Liabilities				
Due to other governments	<u>47,239</u>	<u>63,028</u>	<u>47,647</u>	<u>62,620</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	2,307,317	2,378,328	2,962,891	3,065,284	2,871,276	2,909,926	2,862,787	2,885,059	2,672,973	2,260,877
Tuition	207,404	200,008	196,752	228,370	180,459	137,108	144,967	104,244	159,160	127,401
Other	245,027	333,096	309,188	313,169	370,570	245,431	331,557	196,782	445,902	347,904
Intermediate sources	-	-	-	-	-	-	-	2,446	-	-
State sources	3,831,278	3,673,053	3,434,074	3,627,089	3,706,535	3,076,460	3,454,253	3,333,862	3,145,971	3,140,564
Federal sources	271,952	209,836	303,644	360,443	639,280	139,948	167,692	142,668	138,600	151,901
Total revenues	<u>6,862,978</u>	<u>6,794,321</u>	<u>7,206,549</u>	<u>7,594,355</u>	<u>7,768,120</u>	<u>6,508,873</u>	<u>6,961,256</u>	<u>6,665,061</u>	<u>6,562,606</u>	<u>6,028,647</u>
Expenditures:										
Instruction:										
Regular instruction	2,817,223	4,356,514	4,420,747	4,262,651	4,209,453	4,197,956	3,954,208	3,682,576	3,960,891	3,967,370
Special instruction	713,315	-	-	-	-	-	-	-	-	-
Other instruction	1,005,121	-	-	-	-	-	-	-	-	-
Support services:										
Student services	95,484	98,703	88,194	70,312	108,882	103,449	173,914	131,993	198,377	192,850
Instructional staff services	173,584	418,303	230,328	183,320	109,409	135,641	139,136	148,739	144,168	86,402
Administration services	646,731	627,027	622,203	612,109	555,607	571,429	587,083	666,380	658,850	649,443
Operation and maintenance	534,865	527,057	450,037	430,955	427,319	452,735	450,607	441,493	431,878	436,270
Transportation services	241,975	266,742	259,716	188,427	171,180	139,114	128,764	141,463	232,534	204,699
Non-instructional programs	5,958	5,815	5,335	5,250	5,250	5,250	4,551	4,204	4,604	16,078
Other expenditures:										
Facilities acquisition	1,025,127	318,340	358,841	332,247	786,723	405,655	307,315	78,732	228,212	75,276
Long-term debt:										
Principal	345,000	345,000	345,000	1,910,000	175,000	170,000	165,000	160,000	155,000	155,000
Interest and other charges	12,560	14,285	16,361	116,618	80,895	86,115	91,140	95,465	100,115	104,765
AEA flowthrough	235,915	233,940	228,371	230,080	247,542	257,003	229,080	215,770	203,803	198,574
Total expenditures	<u>7,852,858</u>	<u>7,211,726</u>	<u>7,025,133</u>	<u>8,341,969</u>	<u>6,877,260</u>	<u>6,524,347</u>	<u>6,230,798</u>	<u>5,766,815</u>	<u>6,318,432</u>	<u>6,086,727</u>

See accompanying independent auditor's report.

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Iowa Valley Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Iowa Valley Community School District and of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Iowa Valley Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa Valley Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness Iowa Valley Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 15-I-A and 15-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Iowa Valley Community School District's Responses to the Findings

Iowa Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Iowa Valley Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 13, 2016

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2015

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

15-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, processing payroll, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

15-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Non-Compliance:

No matters were noted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

- 15-II-A Certified Budget: Expenditures for the year ended June 30, 2015, exceeded the amended certified budget amounts budgeted in the instructional and other expenditures functions.

Recommendation: The certified budget should have been amended in sufficient amounts so as not to exceed the amended budget in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. We will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion: Response accepted.

- 15-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- 15-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- 15-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mark Swift Board member		\$
Owner of Browns Hardware	supplies	13,839

The transaction appears to represent a conflict of interest since the dollar amount was more than \$2,500.

Recommendation: Business with District officials is not a conflict of interest if bids are taken or total amount is less than \$2,500. The District should consult legal council regarding this matter.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

- 15-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- 15-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting (continued):

- 15-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 15-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 15-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 15-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 15-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 15-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

	\$	\$
Beginning balance		779,679
Revenues/transfers in:		
Statewide sales, services and use tax revenue	529,659	
Other local revenues	99	529,758
	<hr/>	
Expenditures/transfers out:		
School infrastructure construction	986,605	
Equipment	7,849	994,454
	<hr/>	<hr/>
Ending balance		314,983

- 15-II-M Deficit Balances: The District has unassigned deficit fund balances in the Nutrition and Preschool Funds.

Recommendation: The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

District Response: We are working on ways to eliminate these deficits.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting (continued):

Conclusion: Response accepted.